



Docket ID Number EPA-HQ-OAR-2015-0734
Comments on the Clean Energy Incentive Program
by the South-central Partnership for Energy Efficiency as a Resource

December 15, 2015

The South-central Partnership for Energy Efficiency as a Resource is the regional energy efficiency organization (REEO) for Texas and Oklahoma. SPEER is a non-profit organization with a mission to accelerate the adoption of energy efficient products, services, and technologies. These comments do not necessarily reflect the opinions or positions of each of our individual members, funders, or sponsors. Our comments draw from the comments of many of the other REEOs, specifically the Midwest Energy Efficiency Alliance (MEEA), the Southeast Energy Efficiency Alliance (SEEA), and the Southwest Energy Efficiency Project (SWEEP), with whom we work closely on policy issues such as the Clean Power Plan.

SPEER submits these comments to the Environmental Protection Agency (EPA) in response to the EPA's request for input on the Clean Energy Incentive Program (CEIP), a component of the final Clean Power Plan (CPP). SPEER appreciates that EPA has created the Clean Energy Incentive Program (CEIP) in the final rule. It will be a major accelerant for energy efficiency in low income communities, a segment that arguably benefits the most from energy efficiency but is the least able to take advantage of the financial savings, health benefits, and increased comfort energy efficiency provides.

There are several ways the CEIP could be improved.

- (1) The time to achieve the scale of the savings envisioned in the CEIP is insufficient. If EE projects can only "begin operations" after the submission of a state plan and will receive credits beginning Jan. 1, 2020, this leaves less than 16 months for all projects to be completed if the project is to maximize its credits or allowances. With a set-aside pool equal to 300 million metric tons, even assuming a low carbon price of \$3-4, this would equal somewhere around \$500m -\$1b (including both state and EPA match) of spending on low income EE. Most of the projects would be completed within the 16 month window—a very short timeframe which would make it highly unlikely that states could reach the scale envisioned by EPA for the CEIP.

We recommend extending the period to include projects that either (1) begin operations after the submission of extension requests are filed on September 6, 2016 or (2) receive credits into the first compliance period of 2022-24. Either way would add much needed time to scale low income energy efficiency programs.

States must declare their intention to participate in CEIP in their extension request anyway, so moving the period to September 6, 2016 could work. It would also avoid the potential unintended consequence of project developers, implementers, and utilities putting off low income EE until late 2018 or 2019 in order to maximize carbon allowances or credits.

We agree with comments filed by SWEEP and MEEA that argue that for states that show significant progress in using their federal matching credits or allowances for low income efficiency, but have not used all of them, that they be allowed to continue to receive the match into the 2022-24 compliance period. This would obviate the need to redistribute them to generators, which could impede the rule's goal of carbon reduction while allowing a key policy goal (increased low income energy efficiency) to continue to increase.

Either approach would have the effect of increasing the time for projects to be completed which would make the spending of funds on low income energy efficiency far more methodical and less hurried. The important point is that more time be given to effectively scale low income energy efficiency programs.

- (2) EPA asked for advice on how to define low income communities. We make several recommendations here. **First, allow the definition to include both a geographic definition (e.g., all zip codes or census tracts with average median income less than 80% average, etc.) and an individual definition (e.g. an individual or family in a higher income area but with less than 80% Area Median Income or 200% of Federal Poverty Level).** With this inclusive definition, contractors, implementers, and utilities can target entire geographies without having to do income verifications which can slow down project delivery. But low income consumers in higher income areas could still participate once they prove their income levels. Because of the size and limited timeline (even if it is extended), this definition gives a better chance that states can maximize the EPA match.

Further, **we recommend for geographic areas that qualify that the projects not be limited to the residential sector.** Energy efficiency programs targeting small businesses, schools, hospitals, colleges, local government buildings, etc would also greatly benefit low income communities.

Finally, provided all other requirements are met, we recommend that existing ratepayer funded low income energy efficiency programs with established qualifications and eligibility requirements, count for credits or allowances under the Clean Energy Incentive Programs. These established programs, like those run by nearly all the largest investor owned and public utilities in our region, are excellent candidates to help increase low income energy efficiency attainment, due to their established track record in this space.

- (3) Because low income energy efficiency projects are more complex than renewable energy projects, we are concerned that the CEIP will be dominated by renewable energy if a floor for low income EE is not specified. Therefore, **we recommend that at least 50%**

of the CEIP be reserved for low income EE. EPA rightly acknowledged the significant barriers to large scale low income energy efficiency despite its many benefits. Renewable energy does not face nearly as many barriers. Recognizing this, EPA should ensure that at least half of the allowance pool be dedicated to advancing low income energy efficiency.

- (4) Because allowances are the currency in a mass based plan, and because allowances are measured in tons of carbon dioxide, **we recommend that EPA specify the conversion methodology for MWh to CO2 as soon as is practical.** Until EPA provides guidance on the conversion methodology, it will be impossible for states, utilities, and other stakeholders to understand exactly how much energy efficiency can be attained within the state's allotment.

Again, SPEER is supportive and appreciative of the inclusion of low income EE in the CEIP and thinks, with these recommendations, the program will be a great success and deliver large benefits to low income communities throughout our region and the nation.

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